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Costa Rica

Trade Policy Monitoring

Annual Report

2004

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Report Highlights:

Costa Rica and the United States concluded negotiations under the U.S.-CAFTA agreement in January, 2004. Once the agreement is implemented, exports of U.S. agricultural products will become more competitive in this market as duties decline and remaining non-tariff barriers are expected to be eliminated or phased out.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
San Jose [CS1]
[CS]

SECTION I: EXECUTIVE SUMMARY

Costa Rica concluded the negotiation of a free trade agreement with the United States in January, as part of the U.S. - Central America Free Trade Agreement (CAFTA). The agreement is pending approval by the Congress of each country.

Costa Rica has been primarily a bulk agricultural market for the United States (\$157.8 million in 2003), with yellow corn, soybeans, wheat and rice as the main agricultural imports. Imports of consumer-oriented products (\$46.7 million in 2003) also represent an important segment of total agricultural product imports from the United States. Costa Rica's WTO tariff binding is 45 percent for most products, but the actual applied tariff on most products is less than 15 percent. Some sensitive products, including onions, potatoes and pork, are assessed the bound rate. There are other sensitive products, such as poultry and dairy that have tariff rates below their bound rate. Nevertheless, their tariff is still high at rates of 65% for most dairy products and 150% for some poultry products.

Costa Rica is an active member and/or signatory of the World Trade Organization (WTO), the Central American Common Market (CACM) and various international agreements and treaties on trade and intellectual property. It also has several Free Trade Agreements, including with Mexico, Chile, Dominican Republic, and Canada. The FTA with Chile became effective on February 15th, 2002. The FTA with the Dominican Republic became effective on March 7th, 2002. The FTA with Canada became effective on November 1st, 2002. The agreement with Chile has had an important impact on U.S. agricultural exports to Costa Rica, particularly for deciduous fruits, wines, and some processed fruits and vegetables, which now enjoy duty free access from Chile. Costa Rica is also a member of the Cairns group since 1999. Also, on March 10th, Costa Rica signed a free trade agreement with the Caricom, a group of 14 Caribbean countries. This agreement is not yet effective, however, the GOCR has expressed that its approval in Congress will be a priority.

SECTION II: AGREEMENT COMPLIANCE

A. WORLD TRADE ORGANIZATION

MARKET ACCESS

Tariffs

Costa Rica's tariff rates on agricultural products are within its WTO ceiling bindings. The bound tariff on most products is 45 percent as of January, 2004. There are no other fees or charges impeding U.S. exports, except for rice, which is assessed a \$20/MT fee for sanitary and quality inspection, on top of the bound 35 percent duty.

Tariff Rate Quotas (TRQs)

Costa Rica has tariff-rate quotas (TRQs) for several poultry and dairy products. Costa Rica has not established TRQs for other products as per its Uruguay Round schedule because the applied out-of-quota duty is equal to or less than the in-quota tariff. The TRQs were allocated to private sector importers in 2003 and also in 2004, although they have only been partially filled for some products as shown in the table that follows.

The TRQs were allocated through the Bolsa de Productos Agropecuarios (BOLPRO), the agricultural commodities exchange, until the end of 2002. Starting in 2003, the GOCR modified the TRQ allocation system. Under the new regulation, published on January 6th, 2003, the Ministry of Foreign Trade (COMEX) is responsible for allocating and managing TRQs.

According to the new regulation, during the first week of December, COMEX will officially invite importers to participate in the allocation of the next year's tariff-rate quotas. Any company or person may participate in the process. COMEX will allocate the tariff-rate quotas within the first 10 working days of January. The allocated volume under the TRQs must be imported before December 31. In those cases where the volume requested by participants exceeds the volume of the TRQs, COMEX will allocate 80 percent of the quota to those importers who have historically imported under the TRQ system and 20 percent to new importers.

Sanitary and Phytosanitary Measures

The Costa Rican government maintains sanitary regulations for the importation of poultry and pork products which limits imports of these products. A 1993 regulation requires all meat export plants to be inspected and approved by the Ministry of Agriculture (MAG) before they can export product to Costa Rica. Although this regulation was modified in 2003 to allow the certification of equivalent veterinary inspection systems, the new regulation states that in the absence of such equivalence determination, individual plant inspections are required. To date Costa Rica has not approved the United States inspection system and therefore continues to require individual plant approval. This regulation has been enforced selectively in the past. For instance, importers of processed meats were able to introduce product up to November of 2003, when they were informed that export plants would have to be inspected before they could continue exporting.

EXPORT SUBSIDIES

Direct Export Subsidies

To promote exports, Costa Rica maintains various special import regimes, notably the free trade zone regime. Export subsidies granted through a tax credit rebate (Certificados de Abono Tributario), were eliminated in 1999.

Other Assistance to Exporters

Costa Rica does not offer other significant export assistance to exporters.

Domestic Support

The type of domestic support received by Costa Rican farmers that does not fall under the green box support is subsidized credit provided by the GOCR to farmer organizations for "productive reconversion" programs. The activities financed under this program have been very few after the program received heavy criticism from the General Comptrollers Office when management problems were discovered. According to the Ministry of Foreign Trade, the internal supports have been notified to the WTO and are within the limits allowed for Costa Rica.

OTHER AGREEMENTS

Preferential Trade Agreements with the United States

Costa Rica is eligible for the Caribbean Basin Initiative benefits.

Bilateral Agreements with the United States

Costa Rica and the United States started the negotiation a free trade agreement in January 2003. The negotiations concluded in January, 2004. The agreement is pending approval by the Costa Rican Legislative Assembly as well as the U.S. Congress.

U.S. Non-Party Agreements

Costa Rica is a member of the Central American Common Market (CACM). Trade in most products within the CACM is duty free. As a result, other Central American countries have

an advantage over the United States when they sell agricultural commodities and processed agricultural products in Costa Rica.

Costa Rica also has free trade agreements with the following countries, effective since the date in parenthesis: Mexico (01/01/1995), Chile (02/15/2002), Dominican Republic (03/07/2002), and Canada (11/01/2002).

In addition to the agreement with the United States, an agreement has also been reached, although not implemented, with the CARICOM, a group of 14 Caribbean countries.

SECTION III. TRADE BARRIER CATALOG

Except for one case in early 2003, documented in last year's report, Costa Rica has not delayed issuance of phytosanitary import permits lately.

The most significant trade barrier applied to U.S. products at this time is the plant inspection requirement for meat export plants. This regulation has been applied to poultry and pork products (beef is currently banned as a result of BSE), and since the end of 2003 to processed meats as well. The process of inspecting and approving plants in the U.S. continues to be very slow and frustrating for the companies that have seen their exports halted.

The GOCR approved a new regulation in 2003, which allows the approval of equivalent inspection systems. However, the GOCR maintains the right to conduct individual plant inspections whenever the GOCR determines it necessary. Costa Rica has not approved the U.S. inspection system yet, although as part of the CAFTA negotiations, an agenda has been set up for the system approval process.

SECTION IV. REFERENCE MATERIAL

TARIFF RATE QUOTA TABLE 2002

HTS CODE	DESCRIPTION	VOLUME (MT)	TARIFF RATE (%)	IMPORTED (MT)
0207.13.99 0207.14.99	Ptry. cuts and offal, fresh Ptry. cuts and offal, frozen	1,120	34	415.6
0401	Milk and cream, not	369,000*	34	0

	concentrated nor containing added sugar			
0402	Milk and cream, concentrated or containing added sugar	321.23	34	160.4
0402.10.00				
0402.21.10				
0402.21.2				
0402.29.00				
0402.91.90				
0403	Buttermilk, curdled milk and cream, yogurt	45.61	34	29.3
0405	Butter and other fats and oils derived from milk	41.0	34	3.1
0406	Cheese and curd	341.7	34	174.8
0406.10.00	Fresh cheese (unripened or uncured)			
0406.30.00	Processed cheese not grated or powdered			
2105.00.00	Ice Cream	660.61	39	134.6
1601.00.20	Processed meats of poultry	136.69	29	48.2
1602.10.20	Homogenized preparations of		19	
1602.32.00	meats and offal			

*Volume in liters.

TARIFF RATE QUOTA TABLE 2003

HTS CODE	DESCRIPTION	VOLUME (MT)	TARIFF RATE (%)	IMPORTED (MT)
0207.13.99	Ptry. cuts and offal, fresh	1,127	34	241.53
0207.14.99	Ptry. cuts and offal, frozen			
0401	Milk and cream, not concentrated nor containing added sugar	387,000*	34	131.59
0402	Milk and cream, concentrated or containing added sugar	332.65	34	0
0402.10.00				
0402.21.10				
0402.21.2				
0402.29.00				
0402.91.90				
0403	Buttermilk, curdled milk and cream, yogurt	47.8	34	0.06
0405	Butter and other fats and oils derived from milk	43.0	34	1.92
0406	Cheese and curd	358.5	34	234.51
0406.10.00	Fresh cheese (unripened or uncured)			
0406.30.00	Processed cheese not grated or powdered			

2105.00.00	Ice Cream	692.8	39	326.98
1601.00.20	Processed meats of poultry	143.5	29	110.45
1602.10.20	Homogenized preparations of		19	
1602.32.00	meats and offal			

*Volume in liters.

TARIFF RATE QUOTA TABLE 2004

HTS CODE	DESCRIPTION	VOLUME (MT)	TARIFF RATE (%)
0207.13.99 0207.14.99	Ptry. cuts and offal, fresh Ptry. cuts and offal, frozen	1,284.1	34
0401	Milk and cream, not concentrated nor containing added sugar	405.0	34
0402 0402.10.00 0402.21.10 0402.21.2 0402.29.00 0402.91.90	Milk and cream, concentrated or containing added sugar	344.2	34
0403	Buttermilk, curdled milk and cream, yogurt	50.0	34
0405	Butter and other fats and oils derived from milk	45.0	34
0406 0406.10.00 0406.30.00	Cheese and curd Fresh cheese (unripened or uncured Processed cheese not grated or powdered	375.0	34
2105.00.00	Ice Cream	725.0	39
1601.00.20 1602.10.20 1602.32.00	Processed meats of poultry Homogenized preparations of meats and offal	150.0	29 19

Tariff Rates for Selected Agricultural Products

Costa Rica's tariff regime is available through the Internet at the Ministry of Finance's web page. The address is: <http://www.hacienda.go.cr/tssac/arancel.asp>
Most applied tariffs are below 15 percent. The following are the exceptions:

HTS CODE	APPLIED TARIFF RATE (%)
PORK	
0203.1100	45
0203.1200	45

0203.1900	45
0203.2100	45
0203.2200	45
0203.2900	45
POULTRY	
0207.1100	40
0207.1200	40
0207.1310	35
0207.1391	40
0207.1399	150
0207.1410	35
0207.1491	40
0207.2400	40
0207.2500	40
0207.2610	35
0207.2690	150
0207.2710	35
0207.2790	40
0207.3200	40
0207.3590	150
0207.3690	40
DAIRY PRODUCTS	
0401.1000	65
0401.2000	65
0401.3000	65
0402	65
0403	65
0405	65
0406.1000	65
0406.2090	35
0406.3000	65
POTATOES, FRESH	
0701.9000	45
ONIONS	
0703	45
BEANS	
07133	45
0713.3200	45
0713.3310	45
RICE MILLED OR ROUGH	
1006.2000	35

1006.3000	35
1006.4000	35
PROCESSED MEATS OF POULTRY	
1601.0020	150
SUGAR	
1701.1100	45
1701.1200	45
1701.9100	45
1701.9900	45
POTATOES, PROCESSED	
2004	40
2005.2000	40
ICE CREAM	
2105.0000	65